

## **H.R. 1332, the Small Business Lending Improvements Act of 2007**

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### **Title I**

#### **Sec. 101 Authority for Fee Contributions**

This provision would permit the SBA to contribute funds for the purpose of reducing the burden associated with borrower and lender fees on loans in the 7(a) program. Fee contributions would be commensurate with an appropriation and a specified program level.

#### **Sec. 102 The Rural Lender Outreach Program**

This provision establishes a program to increase lender participation in the 7(a) program, particularly by small banks and community lenders by reducing application burdens for borrowers and lenders to streamline and expedite the lending process. Loans made under this program will carry an 85% guarantee on amounts up to \$250,000.

#### **Sec. 103 Make Permanent the Community Express Program**

This provision would make the Community Express pilot program permanent. The program will provide loans to businesses located designated geographic areas serving mostly Low and Moderate Income areas and New Markets small businesses. The program will carry an 85 percent guaranty on loans up to \$150,000, and 75 percent on loans over \$150,000. Lenders participating in the program can use their own forms and procedures and must provide borrowers with technical assistance (TA).

#### **Sec. 104 Medical Professionals in Designated Shortage Areas Program**

This provision would establish a program to reduce borrower and lender fees by half and increase the guaranty to 90 percent for loans made to doctors and dentists located in Federally designated Health Professional Shortage Areas (HPSAs).

#### **Sec. 105 Increased Veteran Participation Program**

This provision would establish a program to eliminate borrower and lender fees and increase the guarantee to 90 percent for loans made to small veteran owned small businesses.

#### **Sec. 106 Alternative Size Standard**

This provision will extend the alternative size standard currently available under the 504 program to the 7(a) program. The alternative size standard provides a simplified and straightforward standard for determining small business loan eligibility.

#### **Sec. 107 The Small Bank Outreach Division**

This provision will direct the Administrator to establish a program within an existing office to support regional SBA in assisting small, non-PLP lenders participate in the 7(a) loan program.

### **Title II**

#### **Sec. 201 Program Title**

This Section provides that the financing program authorized under Title IV of the Small Business Investment Act of 1958 shall be known as the "Certified Development Company Economic Development Loan Program" or the "504 Loan Program".

### **Sec. 202 CDC Definition**

This provision codifies the definition of a development company (CDC) and adds a definition of certified development company as a company which the SBA has determined meets the criteria of the new section 506 of the Small Business Investment Act of 1958 (SBIA). The current SBIA does not define a CDC; it is defined only in the regulations.

### **Sec. 203 CDC Eligibility**

This provision specifies criteria that a development company must meet in order to issue debentures. A CDC must have fewer than 500 employees, serve the purpose of community economic development, maintain a directorate with ties to the state that it serves, and imposes ethical requirements on CDCs and their employees including prohibiting a person from serving as an officer, director or chief executive officer of more than one certified development company.

This provision also provides that initially the development company may seek approval only in its State of incorporation and/or a local economic area which may include part of several States. Criteria for subsequent development company expansion require that each additional State be contiguous to the State of incorporation, and require the CDC to add to its membership in the State of incorporation at least 25 members from each additional State, and must add to its board in the State of incorporation at least one member from each additional State.

### **Sec. 204 Definition of Rural Areas**

This provision updates the definition of a rural area to that recently legislated for Department of Agriculture loan programs: any area except a city or town with a population greater than 50,000 inhabitants and except the urbanized area contiguous and adjacent to such a city or town.

### **Sec. 205 Businesses in Low-Income Areas**

This provision designates financings in areas eligible for investment under the New Markets Tax Credit Program as a public policy goal under the 504 program, thus making these financings eligible for a larger maximum debenture limit and exempting these projects from job creation limits as long as the CDC's portfolio meets the test.

### **Sec. 206 Combination of Certain Goals**

Allows the ownership interest of two or more owners to be combined to determine whether the small business is at least 51 percent owned by minorities, women or veterans in order to qualify for assistance as a public policy goal.

### **Sec. 207 Refinancing**

This provision permits a borrower to refinance a limited amount of existing indebtedness secured by a current mortgage on the property being expanded by the 504 project. The amount which could be refinanced would be limited to an amount not to exceed 50 percent of the expansion project and would be limited to situations where the 504 financing will provide better terms or rate or interest than now exists on the debt.

### **Sec. 208 Additional Equity Injections**

Permits borrowers which are high risk (start-ups or those using the proceeds for single purpose buildings) to provide more than the required minimum amount of equity and to use the excess equity to reduce the amount of the first mortgage loan, as long as the amount of the first mortgage loan would not be reduced to less than the amount of the SBA guaranteed portion of the loan.

### **Sec. 209 Loan Liquidations**

Requires a CDC either to foreclose and liquidate defaulted loans which it made or to contract with a qualified third-party to do so. The requirement is not be effective until the SBA adopts and implements a program to compensate and reimburse the CDC for expenses associated with foreclosure and liquidation. This provision also imposes a requirement that SBA reimburse a CDC for all expenses incurred by the CDC if the expenses were approved by SBA in advance or were reasonable. It also requires SBA to develop a schedule to compensate and provide an incentive to CDCs to conduct the foreclosure activities.

### **Sec. 210 Closing Costs**

This provision provides the small business borrower the option to include loan and debenture closing costs, other than borrower's attorney fees, in the debenture.

### **Sec. 211 Maximum 504 and 7(A) Loan Eligibility**

This provision permits a 504 borrower to obtain financing in the maximum amount permitted under the 504 program and also to obtain a 7(a) loan in the maximum amount permitted under that program.

### **Sec. 212 Eligibility for Energy Efficiency Projects**

This provision permits energy efficiency projects that reduce the borrower's energy consumption by at least 10 percent, to qualify for loans under the 504 program.

### **Sec. 213 Loans for plant projects used for energy-efficient purposes**

This provision permits energy efficient projects that reduce a borrower's energy consumption by 10 percent to be eligible for the \$4,000,000 debenture.

### **Sec. 214 Extension of period during which loss reserves of premier certified lenders determined on the basis of outstanding balance of debentures**

This extends current law that permits CDCs to base their loan loss reserves on the outstanding balance of debentures.

### **Sec. 215 Extension of alternative loss reserve pilot program for certain premier certified lenders**

This extends current law that permits CDCs to use an alternative risk-based methodology to calculate their loan loss reserves.